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PARAMETERS OF THE PERSONAL INCOME TAX SYSTEM FOR **2011**

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TABLE OF CONTENTS

1. **INDEXING OF THE PERSONAL INCOME TAX SYSTEM** **3**

2. **IMPACT OF INDEXING FOR THE GOVERNMENT** **5**

3. **INCREASE IN THE WORK PREMIUM AND CHILD ASSISTANCE** **7**

   3.1 Work premium 7

   3.2 Child assistance 7

4. **COMPARISON OF INDEXING RATES OF THE QUÉBEC, FEDERAL AND PROVINCIAL TAX SYSTEMS** **9**

5. **TABLES OF PARAMETERS** **11**

1. INDEXING OF THE PERSONAL INCOME TAX SYSTEM

The Taxation Act stipulates automatic indexing of the main parameters of the personal income tax system. Indexing applies to the taxable income bracket thresholds of the tax table and to the basic amount. It also applies to most parameters used to determine tax credits.

Indexing of the personal income tax system helps keep the tax system up to date to reflect the annual rise in the price of goods and services. In practical terms, indexing the tax system increases the amount of many deductions and tax credits by a rate determined on the basis of the rise in consumer prices in Québec.

❑ Indexing rate for taxation year 2011

The indexing rate for 2011 corresponds to the percentage change in the consumer price index for Québec (CPI-Québec), excluding alcohol and tobacco, between the twelve-month period ending September 30, 2010 and the twelve-month period ending September 30, 2009.

According to this formula, the personal income tax system will be indexed by 1.27% for taxation year 2011.

Indexing Formula

- The indexing formula stipulated in the Taxation Act is applied by multiplying the parameter to be indexed by the change from A compared to B. The result obtained is rounded according to the applicable rule.
  - "A" represents the average of the CPI-Québec, excluding alcohol and tobacco, for the twelve months ending September 30 of the preceding year.
  - "B" represents the average of the CPI-Québec, excluding alcohol and tobacco, for the twelve months ending September 30 of the year immediately prior to the preceding year.

2. IMPACT OF INDEXING FOR THE GOVERNMENT

In 2011, the Québec government will index the tax system at a cost of $239 million. Over the period from 2004 to 2011, the cumulative impact will equal in excess of $2.2 billion.

Impact of indexing the personal income tax system – 2004 to 2011

	2004	2005	2006	2007	2008	2009	2010	2011
Indexing rate in percent	2.0	1.43	2.43	2.03	1.21	2.36	0.48	1.27
Impact in millions of dollars	235	180	390	340	315[1]	437	97	239
Cumulative impact in millions of dollars	235	415	805	1 145	1 460	1 897	1 994	2 233

1 This amount reflects the impact of lower indexing than expected on the parameters of the $950-million general tax reduction.

3. INCREASE IN THE WORK PREMIUM AND CHILD ASSISTANCE

The indexing of basic benefits of last-resort financial assistance programs requires that a different method be applied to increase the reduction thresholds of the work premium and child assistance in order to keep the tax system and income security programs in harmony.

3.1 Work premium

The general work premium is integrated with the last-resort assistance system. It reaches its maximum at the income threshold at which a household fit for work is no longer eligible for last-resort assistance. Above that income level, the general work premium is reduced.

Moreover, the first dollars of earned income, up to $2 400 for a household consisting of one adult and $3 600 for a household consisting of two adults, are exempt from the calculation of the general work premium.

Like the general work premium, the adapted work premium for individuals with severely limited capacity for employment is integrated with the last-resort assistance system. However, the parameters for calculating the adapted work premium are different from those used to determine the general work premium.

3.2 Child assistance

To integrate child assistance with the work premium, the income threshold at which the work premium becomes zero corresponds to the threshold at which child assistance begins to reduce with income.

The maximum amounts of child assistance are indexed at the indexing rate of the tax system.

Publication of parameters

Some child assistance and work premium parameters depend on the income threshold from which a household is no longer eligible for last-resort assistance.

However, this income threshold depends, in particular, on the contribution rates to the Québec Pension Plan, the Employment Insurance Plan and the Québec Parental Insurance Plan. Complete information on the value of these rates will be known over the coming months.

Consequently, some parameters relating to the increase in child assistance and the work premium will be published at a later date.

4. COMPARISON OF INDEXING RATES OF THE QUÉBEC, FEDERAL AND PROVINCIAL TAX SYSTEMS

In 2011, the indexing rate of the Québec tax system (1.27%) will remain comparable with the indexing rates applied by the federal government and the other provinces.

Among the seven provinces that index their tax system, two are expected to post an indexing rate lower than Québec, namely Alberta and British Columbia.

Indexing rates of the federal and provincial personal tax systems – 2004 to 2011
(percent)

	2004	2005	2006	2007	2008	2009	2010	2011[1]
Federal[2]	3.3	1.7	2.2	2.2	1.9	2.5	0.6	1.4
Provinces								
Newfoundland[3,4]	—	—	—	1.0	1.1	2.8	0.7	2.0
Prince Edward Island[5]	—	—	—	—	—	—	—	—
Nova Scotia[6]	—	—	—	—	—	—	—	—
New Brunswick[2]	—	1.7	2.2	2.2	1.9	2.5	0.6	1.4
Québec[7]	**2.0**	**1.43**	**2.43**	**2.03**	**1.21**	**2.36**	**0.48**	**1.27**
Ontario[4]	2.9	1.9	2.2	2.1	1.5	2.3	0.7	1.8
Manitoba	—	—	—	—	—	—	—	—
Saskatchewan[2]	3.3	1.7	2.2	2.2	1.9	2.5	0.6	1.4
Alberta[4]	6.0	1.3	1.9	3.6	4.7	3.8	0.3	0.9
British Columbia[4]	2.6	1.8	2.1	1.9	1.8	2.0	0.4	0.8

— Means the tax system was not indexed.

1 The federal and provincial, other than Québec, indexing rates are projected by the ministère des Finances du Québec according to the method usually used.

2 The indexing rate is calculated according to the consumer price index for Canada.

3 The indexing rate used for 2007 was 2.0%. However, the indexing rate was applied only as of July 1, 2007. Accordingly, the effective rate for 2007 was 1.0%.

4 The indexing rate is calculated according to the consumer price index for the province.

5 Note that Prince Edward Island announced, in its 2007 budget, a rise of 2% for some parameters of its tax system for 2007 and 2008, including the basic amount and the taxable income bracket thresholds of the tax table.

6 Note that Nova Scotia stipulated a rise of $250 per year in its basic amount from 2006 to 2010. In addition, some refundable tax credits have been indexed in the same proportion as the rise in the basic amount. For example, the increase in the base amount was 3.23% in 2009 and 3.13% in 2010.

7 The 2% rate for 2010 was enacted in December 2009.

8 Since taxation year 2005, Québec's indexing rate has been based on the CPI-Québec, excluding alcohol and tobacco. For 2004, the rate was set at 2.0%.

5. TABLES OF PARAMETERS

Parameters of the personal income tax system subject to indexing

(dollars)

	2010	2011
Tax table		
- Maximum threshold of first taxable income bracket	38 570	39 060
- Maximum threshold of second taxable income bracket	77 140	78 120
Single basic amount	**10 505**	**10 640**
Amount of recognized essential needs		
- Amount for a person living alone		
- basic amount	1 230	1 245
- supplement for single-parent family	1 525	1 545
- Amount with respect to age	2 260	2 290
- Amount for retirement income	2 010	2 035
- Amount of transfer of the recognized parental contribution		
- maximum amount of recognized needs	6 925	7 015
- reduction where only one session of studies is completed	1 940	1 965
- Amount for a child engaged in vocational training or post-secondary studies (per session, maximum two sessions)	1 940	1 965
- Amount respecting other dependants	2 820	2 855
- Amount for severe and prolonged impairment in mental or physical functions	2 390	2 420
Certain deductions and exemptions		
- Maximum amount of the deduction for workers	1 030	1 045
- Amount of the personal contribution for the purposes of the deduction for tradespersons' tools	1 040	1 055
- Maximum amount of the exemption relating to amounts paid to emergency services volunteers	1 030	1 045
- Maximum monthly amount for the exemption of certain allowances for room and board paid to young athletes	310	315
Reduction thresholds		
- Reduction threshold of the tax credit for a person living alone, for age and for retirement income	30 490	30 875
- Reduction threshold of the refundable tax credit for home maintenance of an elderly person	51 425	52 080
- Reduction threshold of the refundable tax credit for respite expenses of informal caregivers	51 425	52 080

Parameters of the personal income tax system subject to indexing (continued)

(dollars)

	2010	2011
Certain refundable tax credits		
– Tax credit for medical expenses		
– maximum amount	1 061	1 074
– minimum amount of earned income	2 715	2 750
– reduction threshold	20 525	20 785
– Tax credit for natural caregivers of adults		
– basic amount	584	591
– supplement reducing with income	478	484
– reduction threshold	21 235	21 505
– Québec education savings incentive		
– first income threshold for purposes of calculating the increase	38 570	39 060
– second income threshold for purposes of calculating the increase	77 140	78 120
– Tax credit for holders of a taxi driver's or taxi owner's permit	514	521
Solidarity tax credit[1]		
– Amounts for the QST		
– basic amount	—	220
– amount for spouse	—	220
– additional amount for person living alone	—	125
– Amount for housing		
– amount for a couple	—	100
– amount for a person living alone	—	75
– amount for each dependent child	—	25
– Amounts for individuals living in a northern village		
– amount per adult	—	775
– amount for each dependent child	—	332
– Solidarity tax credit reduction threshold	—	30 875
1% contribution by individuals to the HSF		
– Maximum threshold of first taxable income bracket	13 140	13 305
– Maximum threshold of second taxable income bracket	45 680	46 260

1 The parameters of the solidarity tax credit will be indexed as of 2013. The parameters shown in this table are those stipulated in the 2010-2011 budget.

Parameters of the personal income tax system subject to indexing (continued)

(dollars)

	2010	2011
Child assistance[2]		
- Maximum amounts		
- 1st child	2 176	2 204
- 2nd and 3rd children	1 088	1 102
- 4th and subsequent children	1 631	1 652
- single-parent family	762	772
- Minimum amounts		
- 1st child	611	619
- 2nd and subsequent children	564	571
- single-parent family	305	309
- Monthly amount of the supplement for a handicapped child	172	174

2 Some parameters relating to child assistance and the work premium are not shown in this table and will be released at a later date once all the necessary information for their calculation is available.

Parameters of the refundable tax credit for child care expenses – 2010

Family income ($)		Tax credit rate (%)	Family income ($)		Tax credit rate (%)	Family income ($)		Tax credit rate (%)
Greater than	Without exceeding		Greater than	Without exceeding		Greater than	Without exceeding	
—	31 670	75	43 395	44 570	64	130 500	131 680	44
31 670	32 840	74	44 570	45 745	63	131 680	132 860	42
32 840	34 020	73	45 745	46 910	62	132 860	134 040	40
34 020	35 185	72	46 910	48 090	61	134 040	135 220	38
35 185	36 360	71	48 090	86 785	60	135 220	136 400	36
36 360	37 525	70	86 785	124 595	57	136 400	137 580	34
37 525	38 710	69	124 595	125 775	54	137 580	138 765	32
38 710	39 880	68	125 775	126 955	52	138 765	139 945	30
39 880	41 045	67	126 955	128 135	50	139 945	141 125	28
41 045	42 215	66	128 135	129 320	48	141 125	or more	26
42 215	43 395	65	129 320	130 500	46			

Parameters of the refundable tax credit for child care expenses – 2011

Family income ($)		Tax credit rate (%)	Family income ($)		Tax credit rate (%)	Family income ($)		Tax credit rate (%)
Greater than	Without exceeding		Greater than	Without exceeding		Greater than	Without exceeding	
—	32 070	75	43 945	45 135	64	132 155	133 350	44
32 070	33 255	74	45 135	46 325	63	133 350	134 545	42
33 255	34 450	73	46 325	47 505	62	134 545	135 740	40
34 450	35 630	72	47 505	48 700	61	135 740	136 935	38
35 630	36 820	71	48 700	87 885	60	136 935	138 130	36
36 820	38 000	70	87 885	126 175	57	138 130	139 325	34
38 000	39 200	69	126 175	127 370	54	139 325	140 525	32
39 200	40 385	68	127 370	128 565	52	140 525	141 720	30
40 385	41 565	67	128 565	129 760	50	141 720	142 915	28
41 565	42 750	66	129 760	130 960	48	142 915	or more	26
42 750	43 945	65	130 960	132 155	46			